

Central Maine Power Company
Pricing Flexibility Criteria for Periods After January 1, 2001

I. Introduction

This document establishes the pricing flexibility criteria to be used for service after January 1, 2001 for the following service categories: 1) changes to existing and establishing optional targeted service rate schedules; and 2) targeted rate contracts. Pricing changes that satisfy specific criteria and requirements, as provided below and by Commission decisions on related matters, will be effective 30 days from the filing date. The Commission may suspend a rate schedule or the effective date of a contract if it does not comply with the applicable specified criteria and requirements. In the event the Commission does suspend a rate schedule or contract, it will make a final determination within four months of the initial filing. This document does not preclude pricing changes that do not satisfy the criteria, but such changes generally require Commission review and approval.

II. Optional Targeted Service Rate Schedules

A. General

The Company may change existing targeted service rate schedules and/or establish new optional targeted service rate schedules with customer qualification criteria based on marketing characteristics identified by the Company.

1. The price cap for the targeted service will be the price that the customer in the targeted service class would face (or the most reasonable reflection of that price) if the customer's service were taken in the applicable existing core rate class.
2. Rate schedules will be designed so that (1) on an annual basis, the revenue collected will be no lower than the Company's long-term marginal customer and distribution costs, as applicable, based on voltage level of service, and its transmission rates pursuant to applicable open access transmission tariffs, as reasonably estimated at the time the rates were designed, plus an adder; and (2) for rate schedules with no demand charge, prices for kilowatt-hours will equal or exceed the marginal customer and distribution costs, plus the transmission rate, on an annual, per kilowatt-hour basis. For rate schedules with both demand and kilowatt-hour charges, the combined price for demand and kilowatt-hours will equal or exceed the marginal customer and distribution costs, plus the transmission rate, on an annual basis. If a customer enters a service contract for a specified term, the applicable floor criteria shall be as set forth in section III.A.2.

3. Unless specified in the targeted service rate schedule or a contract pursuant to the rate schedule, rates will not change more than two times per year.
4. The Company will specify a sunset date for each optional targeted service rate schedule. The sunset date will be no later than one year beyond the remaining term of the Alternative Rate Plan. The rate schedule will automatically terminate on the sunset date unless CMP proposes renewal pursuant to then-current criteria, requirements, and processes.

B. Filing and Notice Requirements; Review Process

1. The Company will file proposed changes to an existing, optional targeted service rate schedule or a proposed rate schedule for new or redefined optional targeted service with an effective date 30 days from filing. The proposed rate schedule, along with pre-determined filing requirements, will be served on a pre-determined service list. Parties will have 14 days to file written comments or objections. The Commission will suspend the effective date of a proposed rate schedule only if it does not conform to the applicable specified criteria and requirements. In the event the Commission does suspend the effective date of a rate schedule, it will make a final determination within four months of the initial filing.
2. The Company must include the following material with its filing:
 - a. a demonstration that the proposed rate schedule complies with the applicable floor criteria and all other applicable requirements and criteria;
 - b. expected revenue from the program, the incremental revenue from this program compared to what would have happened without this program and the difference between revenue under the program and revenue at core rates in effect at the time the program becomes effective, assuming the same level of delivery services. CMP will also provide the cumulative totals for all programs and contracts, given the addition of the program for which the Company is filing for permission to implement.

C. ARP Comparability

If the Company seeks a finding that a proposed rate schedule that was contained in the settlement in Docket No. 97-580 is comparable to a rate schedule introduced under the ARP, it must so indicate in the filing and provide the analysis and supporting material necessary to demonstrate ARP comparability. The Company must also indicate whether the rate schedule should be suspended or allowed into effect if Commission review determines that the ARP comparability test is not met.

III. New and Renewal Targeted Rate Contracts with Individual Customers

A. General

The Company may enter into new or may renew existing targeted rate contracts with individual customers that govern the provision of service to that customer.

1. A targeted rate contract is defined as a contract in which a targeted rate is provided to a customer for no longer than one year beyond the remaining term of the Alternative Rate Plan.
2. Rates charged pursuant to the contract will be designed so that: (1) over the term of the contract, the revenue collected will be no lower than the Company's long-term marginal customer and distribution costs as applicable, based on the customer's voltage level of service and its transmission rates pursuant to applicable open access transmission tariffs, plus an adder; and (2) on an annual basis, the revenue collected will be no lower than the applicable long-term marginal customer and distribution costs plus transmission rates; and (3) for contracts with no demand charges, prices for kilowatt-hours will equal or exceed the marginal customer and distribution costs, plus the applicable transmission rate, on an annual, per kilowatt-hour basis. For contracts with both demand and kilowatt-hour charges, the combined price for demand and kilowatt-hours will equal or exceed the marginal customer and distribution costs, plus the applicable transmission rate, on an annual basis.
3. The Company will file targeted rate contracts to be effective 30 days from filing. Written comments or objections to the proposed targeted contract must be submitted within 14 days of filing. The contract will take effect unless the Commission finds that it does not conform to the applicable specified criteria and requirements, or is anti-competitive or unduly discriminatory.
4. Targeted rate contracts that do not conform to the applicable specified criteria and requirements generally require Commission review and approval. The Commission's hearing examiner will establish the procedure, including hearing dates, for review and decision of such contracts. The final decision will be issued no later than four months after the time of the contract's filing.
5. No party is precluded from arguing for the applicability of any criteria for approval in the four month proceeding.

B. Filing and Notice Requirements; Review Process

1. The proposed targeted rate contract, along with pre-determined filing requirements, will be served on a pre-determined service list. Central Maine Power Company will notify, upon filing, any customer who has

requested to be so notified and which is a direct competitor of the customer receiving the targeted contract. CMP shall provide the list of those notified in the filing.

2. The Company must include the following material with its filing:
 - a. a demonstration that the proposed contract complies with the applicable floor criteria and all other applicable requirements and criteria;
 - b. the expected revenue from the contract, the incremental revenue from the contract compared to what would have happened without this contract and the difference between revenue under the contract and revenue at core rates in effect at the time the contract becomes effective, assuming the same level of delivery services. CMP will also provide the cumulative totals for all programs and contracts, given the addition of the program for which the Company is filing for permission to implement.

C. ARP Comparability

If the Company seeks a finding that a proposed contract that was contained in the settlement in Docket No. 97-580 is comparable to a contract introduced under the ARP, it must so indicate in the filing and provide the analysis and supporting material necessary to demonstrate ARP comparability. The Company must also indicate whether the contract should be suspended or allowed into effect if Commission review determines that the ARP comparability test is not met.

IV. UNBUNDLED EXISTING CONTRACTS

A. General

1. CMP has in place a number of contracts that provide for provision of generation and transmission and distribution services ("bundled services") beyond February 29, 2000, the date CMP is no longer permitted by law to provide generation services.
2. The Company must reform these in a manner consistent with 35-A M.R.S.A. § 3204 (10).

B. Filing and Notice Requirements; Review Process

1. The Company will file an unbundled existing contract to be effective 30 days from filing. The contract will take effect unless the Commission determines it is not consistent with the requirements of 35-A M.R.S.A. § 3204 (10).
2. The Company must include the following material with its filing:

- a. the existing bundled contract;
- b. the customer's best market price for generation supply and the term for which that price is available including a description by which the customer's best market price for supply was obtained;
- c. a description of the nature of the customer's generation supply purchase that indicates whether the purchase is pursuant to an existing contract, an expected contract or from the spot market;
- d. an analysis that demonstrates compliance with L.D. 2154, Part K.

V. General Items

- A. The Commission will establish pricing flexibility floors during each year's ARP2000 compliance filing¹. CMP will update the floors once per year as part of the ARP2000 compliance filings to reflect transmission price changes and updated marginal customer and distribution costs. These updates will be limited in scope and are intended to reflect such factors as changes in inflation and more recent historical data until and unless the Commission orders a different approach to determining distribution marginal costs in some future proceeding. The Commission will review the Company's filing as part of the ARP2000 compliance proceedings and shall establish the appropriate revenue floors to be effective by July 1 of each year.
- B. In the event that there are significant changes to the Company's long-run marginal costs or parties wish to propose methodological changes, parties may petition the Commission to initiate a general rate design proceeding.
- C. As part of the ARP2000 compliance filings, the Company will provide a compilation of the data provided pursuant to Section II B. 2(b) and Section III B. 2(b) above.

¹ The pricing flexibility floors during the initial term of ARP2000 will be as approved by the Commission in its Order dated August 30, 2000 in Docket No. 2000-676.